

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

-----In the Matter of----- ) DOCKET NO. 2008-0273  
 )  
PUBLIC UTILITIES COMMISSION )  
 )  
Instituting a Proceeding to )  
Investigate the Implementation of )  
Feed-in Tariffs. )  
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THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM'S  
COMMENTS ON PROPOSED QUEUING AND INTERCONNECTION PROCEDURES

AND

CERTIFICATE OF SERVICE

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PUBLIC UTILITIES  
COMMISSION

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**THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM'S  
COMMENTS ON PROPOSED QUEUING AND INTERCONNECTION PROCEDURES**

The Department of Business, Economic Development, and Tourism ("Department" or "DBEDT"), by and through its Director ("Director") in his capacity as the Energy Resources Coordinator ("ERC"), through the undersigned Deputy Attorney General, hereby submits to the Hawaii Public Utilities Commission ("Commission") its comments on the proposed queuing and interconnection procedures filed with the Commission in the above captioned docket.

BACKGROUND

In its Decision and Order issued on September 25, 2009 ("Decision and Order") which sets forth the general principles for the implementation of feed-in tariffs ("FITs") in the HECO

Companies' service territories, the Commission declined "to dictate specific queuing and interconnection procedures" and instead, directed "the HECO Companies to collaborate with the other parties to craft queuing and interconnection procedures that will minimize delays associated with numerous potential FIT projects and the various interconnection studies they could require." (Decision and Order, at 92-93.) The Commission's directive further required that such procedures (1) should include project development milestones to advance in the queue, application deposits, and a mechanism for applicants to apply for extension for the amount of time needed to meet project development milestones prior to dropping from the queue or forfeiting their deposits; (2) should mitigate the added risks associated with required deposits but maintain the incentive for only viable projects to apply for interconnection studies; and (3) should include a third party Independent Observer ("IO") to oversee the queuing process, assist in developing the queuing process, and monitor the utilities' administration of the queue. (Decision and Order, at 92-93.)

Pursuant to the procedural schedule for the remainder of the docket approved by the Commission's Order issued on October 29, 2009 ("Order Setting Schedule"), the HECO Companies ("companies" or "utilities") filed a *Report on Queuing and Interconnection Procedures* ("Report") on February 1, 2010.

Also on the same day, the Clean Energy Maui LLC and Zero Emissions Leasing LLC, filed their joint "*Proposed Reliability Standards.*"

DBEDT notes that the HECO Companies' Report is not aptly titled as it covers only a general overview of the utilities' proposed queuing procedure. The Report does not include any proposal relating to interconnection standards and procedures. Instead, the interconnection standards and procedures are provided in the HECO Companies' transmittal letters<sup>1</sup> to the Commission dated January 8, 2010, requesting Commission's approval for the companies' proposed changes to the Rule 14H tariff relating to the interconnection of distributed generation to the utilities' system, to become effective on February 8, 2010. On January 27, 2010, the Commission issued an Order suspending the referenced transmittals and consolidated the evaluation of the separate transmittals into one docket, Docket 2010-0015. DBEDT filed a motion to intervene in that docket and will provide its comments on the HECO Companies' proposed revisions to Rule 14H tariff relating to interconnection standards and procedures in that proceeding.

DBEDT's comments provided below will focus mainly on the HECO Companies' proposed queuing procedure.

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<sup>1</sup> Separate transmittal letters were filed for HECO, HELCO, and MECO.

### DBEDT's COMMENTS ON PROPOSED QUEUING PROCEDURE

DBEDT appreciates the HECO Companies' efforts in coordinating the two technical workshops<sup>2</sup> with the Parties to discuss the development of the queuing procedure. DBEDT especially appreciates the IO's participation and support during the 2<sup>nd</sup> technical workshop, as well as the presence of the HECO Companies' consultant in the same session and both parties' openness in sharing information and in responding to the Parties' questions. DBEDT would like to note, however, that the queuing and interconnection procedures filed by the HECO Companies were developed by the companies themselves, rather than in "collaboration" with the Parties in the docket as directed by the Commission's Decision and Order. The Parties' involvement in developing the queuing and interconnection procedures was limited to attending the two technical workshops and providing comments to the HECO Companies' presentations.

The following are DBEDT's comments and recommendations on HECO's proposed queuing procedures provided in the companies' Report:

- 1) DBEDT finds HECO's proposed queuing procedure, filed with the Commission on February 1, 2010, not fully developed and that it appears to be missing some of

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<sup>2</sup> Held on November 19, 2009 and January 26, 2010.

the elements required by the Commission's guidelines, as discussed above. For instance, the HECO Companies' proposed queuing does not provide for the timelines and milestones for projects to achieve in order to advance or stay in the queue.<sup>3</sup> The procedure for applying for extensions to meet project milestones prior to dropping from the queue is still under development with the IO.<sup>4</sup> Additionally, the HECO Companies have yet to develop in conjunction with the IO the required information and documents to be submitted by the applicant with application form for the application process.<sup>5</sup> DBEDT recommends that the results of such collaborative efforts between the HECO Companies and the IO on the above items be reviewed by, and vetted with, the Parties in the docket before submitting to the Commission.

- 2) The absence of timelines in any of the steps in the proposed application, queuing, and interconnection process could create significant uncertainty in the market.<sup>6</sup> DBEDT believes that the HECO Companies have ample experience in processing interconnection

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<sup>3</sup> HECO Companies' response to DBEDT/HECO-IR-2e, Page 2. March 1, 2010.

<sup>4</sup> HECO Companies' Response to DBEDT/HECO-IR-2f, Page 2. March 1, 2010.

<sup>5</sup> HECO Companies' Response to DBEDT/HECO-IR-2a, Page 1. March 1, 2010.

<sup>6</sup> HECO Companies' Response to DBEDT/HECO-IR-2c, 2d, 3b, 3c, 3m, and 3n. March 1, 2010.

requests that they could use to gauge and estimate a reasonable timeline or timeframe for processing and interconnecting Tier 1 and Tier 2 projects, given the number of net energy metered systems that were interconnected to the HECO Companies' systems in the last two years. DBEDT recommends that the Commission require that some estimates of timelines be indicated for the various steps in the application, queuing, and interconnection procedures. For instance, the application and the queuing process flow charts provided in Figure 1 and Figure 2, Attachment A, Pages 69-70 of the HECO Companies' *Report on Queuing and Interconnection Procedures*, should indicate an estimated time of how long it will take from one step to the next step. Without the estimated timelines, it will be difficult for the IO and the Commission to evaluate whether or not the HECO Companies are processing and interconnecting the FITs projects in a "timely" manner. Inclusion of the estimated timelines will provide transparency, clarity and certainty to the process, which are in fact the major benefits of the FITs program.

- 3) Recognizing that there is a limit to the amount of renewable resources that can be interconnected to the

small island systems, and given the different procurement and contracting mechanisms for renewable resources in addition to the FITs program, it is imperative that the Commission establish and adopt clear policy and procedures for prioritizing projects (FITs and non-FITs projects).

The HECO Companies' queuing proposal provided in the companies' Report only applies to FIT projects. On page 8 of the companies' Report, the companies indicated that "FIT projects will be treated on an equal basis compared to other distributed generation projects in terms of interconnection and integration with the grid." The companies' proposal, however, did not explain how this will be implemented. The HECO Companies' response to DBEDT/HECO-IR-5q indicated that "[a]n overall prioritization process among the various contracting mechanisms continues to be discussed both internally at HECO and with the IO."

DBEDT recommends that non-FIT projects that fall within the Tier 1 and Tier 2 sizes be put in the same queue list as the FIT projects, and be subject to the same ranking approach used for FIT projects that are put in the queue list due to the fact that these



projects are subject to the same interconnection standards and procedures provided in Rule 14H.

- 4) DBEDT believes that the required reservation deposit, which is refundable, should accrue interest at the same interest rate as the customer deposit required under the HECO Companies' Rule 6 tariff, as the utilities will have use of that money until it is refunded to the applicant when the project achieves commercial operation.

- 5) The IO's suggested approach for "walk before you run" in deploying the FITs program appear reasonable. DBEDT's understanding of the IO's recommendation is to deploy the FITs program capacities on an incremental basis ("phased-in approach"). While DBEDT may generally support this conceptual approach, DBEDT would like to recommend the following for the IO's and Commission's consideration in developing the deployment approach:

- a) The initial increments for Tier 1 and Tier 2 should be deployed at the same time, so as to get a mix of Tier 1 and Tier 2 applicants in the first increment that would provide a more balanced experience and an effective testing of the robustness of the queuing process. This will

provide a mix of project sizes in the queue that would test the application processing time, including the project assessment procedure, and ensure that the top of the queue is filled-up by not only the Tier 1 projects or Tier 2 projects, but a mix of these project sizes.

- b) To provide transparency and clarity to the process, the queuing process must specify clear timelines or the milestones, criteria, and/or conditions that need to occur that would trigger when the subsequent increments are released.

DBEDT views the Companies' proposal relating to the release of subsequent capacities as provided in Item 6, page 11 of the Report, as non-transparent and one which could create market uncertainty to the detriment of the FITs program. The referenced provision puts the Companies in full control in determining when, how much, and what Tier's subsequent capacities to release. Simply put, the referenced provision puts the release of subsequent capacities in the sole discretion and control of the Companies.

- c) To provide transparency and certainty to the process, there should be periodic reporting

requirements and evaluation of the process to allow the Commission to determine whether the process is facilitating the achievement of the FITs program's intent and to determine whether or not to modify and improve the process.

- d) If the suggested approach that is based on an incremental deployment of the program capacities ("phased-in implementation") is adopted by the Commission, DBEDT recommends that the process should have a defined application period for when a developer can apply for the initial program capacity increment, and for the subsequent program increments. If the increment is not fully subscribed, then the application period may be kept open beyond the defined application period until the increment is met. This will help the IO and the utilities to assess the potential market size for each increment and the full market potential of the FITs program, and help assess the potential impact of the program.
- 6) DBEDT recommends that the queuing process clearly specify the timing of the implementation of the Tier 3 capacities. Given the very low level of renewable generation penetration on Oahu, DBEDT strongly

recommends that the initial Tier 3 capacities be released at the same time as the release of the initial Tier 1 and Tier 2 capacities on this island. This will test the effectiveness of the process as well as provide a gauge of the renewable market on Oahu which accounts for over 95% of the State's total electricity load.

- 7) DBEDT recommends that the process should specify whether the IO's oversight role of the queue and responsibilities for reporting to the Commission is limited to only the FITs projects in the queue or whether such oversight and reporting includes all of the projects from the various procurement methods that are placed in the queue list. In concert with DBEDT's recommendation to have one queue list for all projects that are subject to the interconnection standards and procedures provided in Rule 14H, DBEDT recommends that the IO's oversight role should include an oversight of the Companies' administration of the entire queue list.
- 8) DBEDT is not clear what Item 4 on page 11 of the companies' Report means. This provision states that: "For both Tier 1 and Tier 2 of the application process will be closed when the initial increment has been

met. HECO and the IO will monitor the success of the enrollment for the initial increment and the application process may be reopened for additional applications, up to the initial increment."

(underscore added). Specifically, if the increment has been met, it is not clear what the underscored phrase means. Also, this provision does not provide the criteria for measuring the "success of enrollment" as used in the referenced provision. DBEDT recommends that the process should include specific action or actions by the utilities and/or IO to take when the initial increment has been met for any of the Tiers. DBEDT recommends that such action should be the release of the next increment of capacities for any of the Tiers for which the initial capacity is filled.

- 9) The companies' proposed queuing process did not provide for mechanisms for applicants to apply for extensions for the amount of time needed to meet project development milestones prior to dropping from the queue or forfeiting their deposits, as required by the Commission's guidelines.
- 10) The process should clearly and explicitly state that the utilities will process the applications by the

filing date, which appears to be assumed in the process overview.

- 11) The companies' proposal did not explain or specify how exactly the utilities will rank the projects that satisfy the assessment criteria and are placed in the queue list. The HECO Companies' proposed queuing procedure identified the "assessment criteria" for putting projects in the queue. However, the proposed procedure does not specify how projects in the queue list will be ranked (i.e., how to determine what projects are put at the top of the queue). This is one of the critical elements of a queuing process that needs to be specified for transparency and clarity. While DBEDT is inclined to support a "first ready, first served" ranking approach of the projects in the queue list, DBEDT recommends that the process should clearly specify the criteria or conditions that would define what "first ready" or "most ready" means, and such criteria or conditions must be as objective as possible.
- 12) Under the section on "Queue Rules", page 10 of the HECO Companies' Report, the Companies proposed that "[i]n consultation with the IO, Hawaiian Electric will reserve the right to impose additional rules or

procedures as necessary to ensure that the FIT program is proceeding in accordance with the Commission's Orders." DBEDT believes that the HECO Companies have not provided any basis for the need for such provision to be included in the queuing process. DBEDT further believes that the IO's oversight and reporting role should include making recommendations to the Commission for additional rules as may be necessary to improve the process and to ensure that the process is proceeding in accordance with the Commission's orders. DBEDT therefore recommends that this provision be deleted from the queuing procedure that the Commission adopts.

- 13) The interconnection standards and procedure will be as provided in the HECO Companies' Rule 14H tariff. As noted earlier, an examination and evaluation of the Companies' proposed revisions to Rule 14H will be addressed in a separate docket, Docket No. 2010-0015, recently initiated by the Commission. Furthermore, the interconnection standards will also be impacted by the Companies' recent proposal to convene a Reliability Standards Working Group in this docket. In its comments on the companies' proposed FITs rates for Tier 1 and Tier 2 filed with the Commission on

January 21, 2010, DBEDT recommended that the examination and evaluation of the companies' proposed revisions to Rule 14H be made a part of this docket. While DBEDT is cognizant of the Commission's initiation of Docket No. 2010-0015, DBEDT still believes that it is more effective and efficient to address the issues relating to reliability and interconnection in this docket as these matters are critical elements in the implementation and success of the FITs program, as well as allow the Commission to address all the issues impacting the FITs program in an integrated and holistic fashion.

- 14) The companies' proposed interconnection requirements require the seller to pay for the total installed costs of all the required interconnection facilities (both the seller-owned facilities and company-owned facilities), including the total operation, maintenance, and testing of these facilities. The companies also proposed to require the sellers to pay for all the costs relating to metering equipment, including maintenance, operation, and testing of these meters. The Commission's guidelines for developing the FITs rates require that the rates be based on the seller's total project costs. However, as discussed



in the HECO Companies' response to PUC-IR-325, these interconnection costs are not included in the companies' proposed FITs rates for Tier 1 and Tier 2. Additionally, despite the fact that the sellers will be required to pay for all the metering costs, the proposed FITs Tier 1 and Tier 2 tariff includes a \$25.00 per month service charge for the metering, billing, and administration of the Seller's FITs contract.<sup>7</sup> In effect, the sellers will be paying twice for the metering and billing of their FITs contracts. To eliminate the double charge to the sellers, DBEDT recommends that the utilities instead pay for the metering costs including the installed costs, testing, and operation and maintenance costs.

Furthermore, the HECO Companies' response to the PUC-IR-325 also indicated that the "typical FIT Tier 1 and Tier 2 projects will not require any upgrades on the utility side of the interconnection." Since the proposed FIT rates for Tier 1 and Tier 2 are for typical projects, DBEDT recommends that the companies' proposed interconnection requirement for the sellers to pay for ALL the interconnection costs be rejected by the Commission, unless an estimate of typical

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<sup>7</sup> HECO Response to PUC-IR-322, PUC-IR-323, and PUC-IR-324. March 4, 2010.

interconnection costs normally borne by developers interconnecting to the companies' systems are included in the proposed FITs rates.

In closing, while DBEDT recognizes that there may be potential issues on the HELCO and MECO systems for interconnecting additional renewable resources, given the existing relatively high levels of penetration of renewable generation on these systems, these alleged issues need to be identified and verified, along with the necessary mitigation measures or solutions to address these issues. Notwithstanding the issues on the HELCO and MECO systems, DBEDT strongly recommends that the FITs program be implemented as soon as possible on Oahu, which accounts for over 95% of the State's total electricity load and has the least amount of renewable generation on the system (less than 5% of system peak in 2008). The same recommendation was made by the HECO Companies in their response to the Commission's directive to elaborate on their

proposed deferment of additional renewable resources on HELCO  
and MECO, filed last February 26, 2010.

DATED: Honolulu, Hawaii, March 8, 2010.

  
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Certificate of Service

I hereby certify that I have served a copy of the Department of Business, Economic Development, and Tourism's comments on the proposed queuing and interconnection procedures filed in PUC Docket Number 2008-0273, by electronic transmission on the date of signature to each of the parties listed below.

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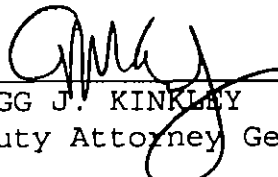
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